

April 11, 2017

The regular meeting of the Council of the City of Martinsville, Virginia was held on April 11, 2017 in Council Chambers, Municipal Building, at 7:30 PM with Mayor Gene Teague presiding. Council Members present included Gene Teague, Chad Martin, Sharon Hodge and Kathy Lawson. Jennifer Bowles was not present. Staff present included City Manager Leon Towarnicki, Assistant City Manager Wayne Knox, City Attorney Eric Monday, Clerk of Council Karen Roberts, Finance Director Linda Conover, Commissioner of Revenue Ruth Easley, Fire Chief Ted Anderson and Police Captain Rob Fincher.

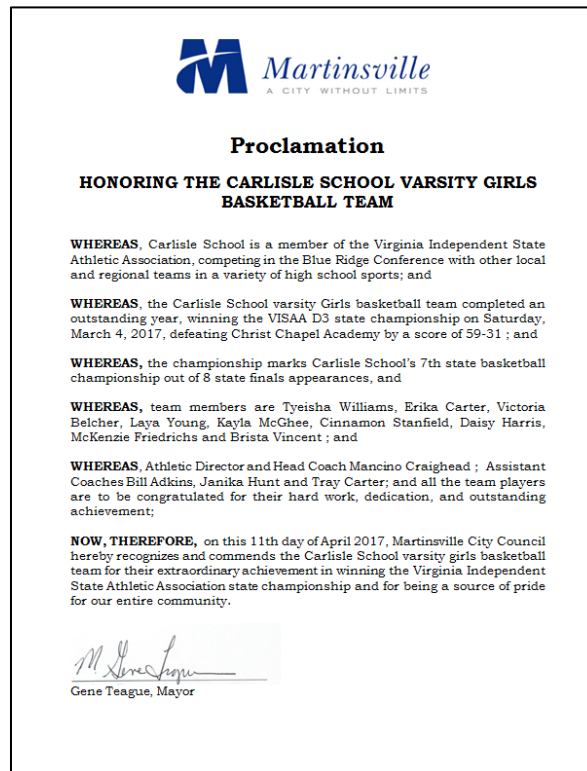
Mayor Teague called the meeting to order and advised Council would go into Closed Session beginning at 7:00 PM. In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Council Member Lawson, seconded by Council Member Hodge, with the following 4-0 recorded vote: Vice Mayor Martin, aye; Council Member Lawson, aye; Council Member Hodge, aye; and Mayor Teague, aye. Council convened in Closed Session to discuss the following matters: (A) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7. At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during the Session. A motion was made by Council Member Hodge, seconded by Council Member Lawson, with the following 4-0 recorded vote in favor to return to Open Session: Mayor Teague, aye; Council Member Hodge, aye; Vice Mayor Martin, aye; and Council Member Lawson, aye.

Following the invocation by Vice Mayor Martin and Pledge to the American Flag, Mayor Teague welcomed everyone to the meeting.

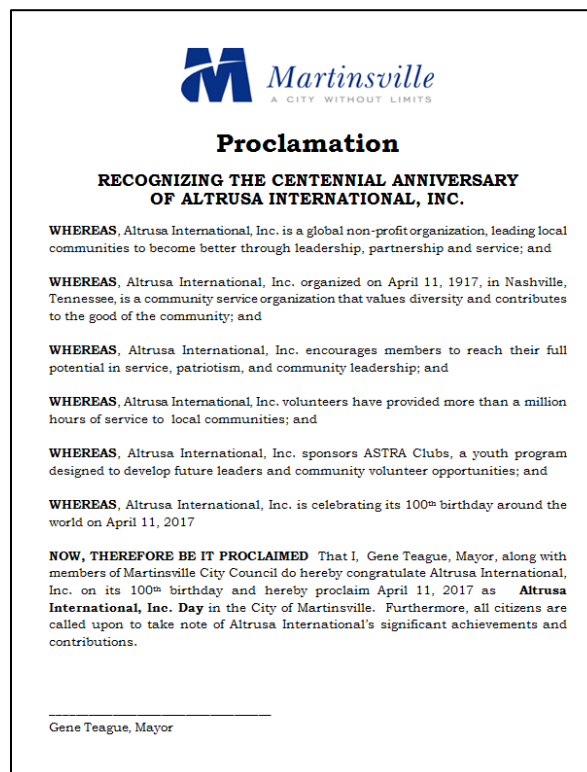
Consider approval of minutes from March 27, 2017 Neighborhood Meeting and the March 28, 2017 Council Meeting – Council Member Lawson requested that Assistant Police Chief Eddie Cassady be added to those present at the Neighborhood Tour and Meeting. Council Member Hodge made a motion to approve minutes as amended; Council Member Lawson seconded the motion with all Council Members voting in favor.

Present a Proclamation honoring the Carlisle School Varsity girl's basketball team for their accomplishments this past season and winning the Virginia Independent State Athletic Association D3 State Championship – Vice Mayor Martin read the proclamation. Team members and coaches were present to accept. Coach Craighead thanked Council and said the girls deserve to be commended and he is very proud of them for their third state championship. Martin provided the team with fliers to pass out in the community to serve as volunteer hours towards graduation. Mayor Teague thanked them for representing the community. Craighead said they are more than athletes; the team has an average 3.85GPA.

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Read and present a proclamation recognizing April 11, 2017 as the 100th anniversary of the founding of Altrusa International, Inc., and the 75th anniversary of the chartering of the Martinsville-Henry County club – Mayor Teague read the proclamation and presented it to Joyce Martin, an Altrusa representative. Ms. Martin thanked Council.



Hear an update from West Piedmont Workforce Investment Board – Rescheduled for May 9, 2017 Council Meeting.


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Consider approval on first reading of an ordinance reciting the expediency of the issuance of up to \$11,740,000 principal amount of water and sewer revenue bonds for the City's sewer interceptor project – City Manager Towarnicki summarized the steps needed to finalize the ordinance. Council Member Lawson made a motion to approve the ordinance on first reading; Council Member Hodge seconded the motion with the following roll call vote: Council Member Hodge, aye; Council Member Lawson, aye; Mayor Teague, aye; and Vice Mayor Martin, aye.

<p>CITY OF MARTINSVILLE, VIRGINIA</p> <p>AN ORDINANCE RECITING THE EXPEDIENCY OF THE ISSUANCE OF UP TO \$11,740,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND SETTING FORTH THE PURPOSE, IN GENERAL TERMS, FOR WHICH THE BONDS ARE TO BE ISSUED, THE MAXIMUM AMOUNT OF THE BONDS TO BE ISSUED AND THE MAXIMUM LENGTH OF TIME SUCH BONDS WILL BE OUTSTANDING</p> <p>Adopted on April 11, 2017 (first reading)</p> <p>(\VC\142594.1 - 004026-00400)</p>	<p>Be it <u>Ordained</u> by the Council of the City of Martinsville, Virginia:</p> <p>Section 1 - Findings and Determinations</p> <p>The City Council ("City Council") of the City of Martinsville, Virginia (the "City") proposes to issue bonds for the purpose of assisting in the acquisition, construction, renovation and equipping of sewer system repairs, replacements, and capital improvements, all for municipal purposes (together, the "Project") and hereby finds and determines that: (i) the City is in need of funds to be used by the City for the Project including paying for costs of issuance of the Bonds (defined below); (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for the City's facilities for municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of water and sewer revenue bonds in an original principal amount not to exceed \$11,740,000 to be issued by the City as further described herein (the "Bonds") to be used for the acquisition, construction, renovation and equipping of the Project and for certain costs of issuance of the Bonds; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Bonds is in the best interests of the City and its citizens.</p> <p>Section 2 - Description of the Bonds</p> <p>The City Council finds that it is expedient for the City to borrow money and issue the Bonds for the Project in a maximum amount not to exceed ELEVEN MILLION SEVEN HUNDRED FORTY THOUSAND DOLLARS (\$11,740,000). The maximum length of time that the Bonds will be outstanding is thirty years. The form and details of the Bonds which are proposed to be issued will be more specifically set forth in a City Ordinance to be entitled "AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$11,740,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, which will be introduced before the Council and considered for final passage following a public hearing on the issuance of the Bonds, as required by law.</p> <p>Section 3 - Further Actions Authorized</p> <p>The City Manager, Clerk of the Council, City Treasurer, City Attorney, Sands Anderson PC as bond counsel, Davenport & Company LLC as the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action as shall be deemed necessary or desirable to facilitate consideration of the issuance of the Bonds. All actions of the City Manager, Clerk of the Council, City Director of</p> <p>(\VC\142594.1 - 004026-00400)</p>				
<p>Finance, City Attorney, the City's bond counsel and financial advisor and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds and the financing of the Project are hereby approved and ratified.</p> <p>Section 4 - Invalidity of Sections</p> <p>If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.</p> <p>Section 5 - Headings of Sections</p> <p>The headings of the sections of this Ordinance shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.</p> <p>Section 6 - Effective Date and Filing of Ordinance</p> <p>Council hereby declares in the public interest that this Ordinance shall become effective immediately upon its passage. A copy of this Ordinance, certified by the Clerk of the Council, shall be filed with the Clerk of the Circuit Court of the City of Martinsville, Virginia.</p> <p>(\VC\142594.1 - 004026-00400)</p> <p>2</p>	<p>The Members of the Council voted as follows on the foregoing Ordinance:</p> <table border="0"><tr><td><u>Ayes</u></td><td><u>Nays</u></td></tr><tr><td><u>Absent</u></td><td><u>Abstentions</u></td></tr></table> <p>Adopted this 11th day of April, 2017 (first reading).</p> <p>_____</p> <p>The undersigned Clerk of the City Council of the City of Martinsville, Virginia hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on April 11, 2017, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly called meeting and that, during the consideration of the foregoing Ordinance, a quorum was present.</p> <p>Dated this _____ day of April, 2017.</p> <p>_____ Clerk, City Council of City of Martinsville, Virginia</p> <p>(\VC\142594.1 - 004026-00400)</p> <p>3</p>	<u>Ayes</u>	<u>Nays</u>	<u>Absent</u>	<u>Abstentions</u>
<u>Ayes</u>	<u>Nays</u>				
<u>Absent</u>	<u>Abstentions</u>				

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Consider approval of ordinance on first reading for an organization requesting a local tax exemption – City Manager Towarnicki explained that the current ordinance presented reflects Council's requested action from the March 28, 2017 meeting. Council Member Hodge made a motion to approve the ordinance on first reading. Council Member Lawson seconded the motion with the following roll call: Vice Mayor Martin, aye; Council Member Hodge, aye; Mayor Teague, aye; and Council Member Lawson, aye.

 <p>Exemption Review Committee Report March 1, 2017</p> <p>The Martinsville City Manager appointed an Exemption Review Committee to consider the applications and make a recommendation for two non-profit entities that submitted a request for a local tax exemption to the Martinsville Commissioner of the Revenue. The review committee members were: Leon Towarnicki, City Manager; Jennifer Bowles, City Council Member; Ruth Easley, Commissioner of the Revenue; Cindy Dickerson, City Treasurer, and Mary Kay Washington, Staff Accountant Martinsville Finance Department. The Exemption Review Committee met on March 1, 2017 to review the requests and submit the following report and recommendations:</p> <p>Applicant: Act 4 Ministries, Inc.</p> <p>Organization Mission Statement: To meet both the physical and spiritual needs of hurting individuals. With God's direction, we will be the hands and feet of Christ as we reach out and help His creation in a variety of different situations.</p> <p>Answers to Review Criteria:</p> <ol style="list-style-type: none">1. The organization has been granted IRS 501 (c) (3) designation2. The organization does not have an annual special events ABC license3. The organization's application indicates that there are no employees and the officers do not receive salaries.4. Net earnings of the organization do not inure to the benefit of any individual.5. The organization's stated purpose of the residential properties for which they are requesting exemption is for transitional housing for single mothers.6. No substantial part of the organization's activities is to influence legislation or campaign on behalf of a political candidate.7. Real Estate Tax Revenue Impact: \$1,979.75 is the current annual tax assessment for the 2 properties owned by the organization.8. The organization does provide a community service that, in the opinion of the members of the Exemption Review Committee, exceeds the revenue loss.	<p>Additional Review Criteria:</p> <ol style="list-style-type: none">a. The organization has unpaid real estate tax late payment penalty and interest from the first half installment of the FY 2017 real estate tax bill.b. The organization has not obtained building permits for any of the renovation work that is necessary for the 311 Stirling Ave. property, but depending on the nature of the work, they may not need one. The organization has stated that the property 311 Stirling Ave. property is not currently being used for transitional housing because of the need for renovation. However, the property at 231 Stirling Ave. is being used for transitional housing. Both properties are zoned P-2. The previous use of the property at 311 Stirling Ave. was a child day care center.c. The properties for which the exemption is sought potentially relate to the purposes for which the organization was created.d. The City does not provide transitional housing services but does provide assistance to other exempt organizations that provide some housing assistance.e. The organization is providing specific services to single mothers that are not currently being provided by other known organizations.f. The city's Comprehensive Plan encourages the development of transitional housing for single men and families with a male householder present, but is silent on transitional housing for single mothers.g. Other criteria to consider: No other criteria was considered by the committee. <p>Fiscal Impact:</p> <p>The organization currently owns 2 properties: 231 Stirling Avenue and 311 Stirling Avenue. Current annual tax on 231 Stirling Avenue is \$1,104.58. Current annual tax on 311 Stirling Avenue is \$875.17. Total annual real estate tax for both properties is \$1,979.75. The assessed value of 311 Stirling Avenue will drop effective July 1, 2017 due to the biennial reassessment lowering the potential total revenue impact for both properties in FY 2018, if the tax rate remains at the current rate of \$1.0621, to \$1740.78.</p> <p>The organization has not reported owning any business personal property in the City of Martinsville.</p> <p>Review Committee Recommendation:</p> <p>The Review Committee recommends granting an exemption for real property used for the organization's stated mission purpose.</p>
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<p>Applicant: Life Stages Enrichment Service, Inc.</p> <p>Organization Mission Statement: To provide profound services and resources to persons in the community. Our efforts will be displayed through our agency's willingness to help, protect and enhance the quality of life of those at risk in our community.</p> <p>Answers to Review Criteria:</p> <ol style="list-style-type: none">1. The organization has been granted IRS 501 (c) (3) designation2. The organization does not have an annual special events ABC license.3. The organization's application indicates that there are no employees and the officers do not receive salaries.4. Net earnings of the organization do not inure to the benefit of any individual.5. The organization's exemption application indicates that they provide the following services: payee services, transportation to medical appointments and similar appointments, and housing assistance.6. No substantial part of the organization's activities is to influence legislation or campaign on behalf of a political candidate.7. Real Estate Tax Revenue Impact: \$0. The organization owns no real property. The property from which they operate their payee services is located at 316 Brown Street which was previously owned by the organization founder and president, Torey Morris. The property is now owned by A F Housing LLC and has the same mailing address as Life Stages Enrichment Service, Inc. and the for-profit Life Stages, Inc. <p>Personal Property Revenue Impact: The personal property reported on the exemption application are a 2012 Ford Cutaway Van and a 2012 Ford E350 Van, however, the E350 is actually registered to the for-profit entity Life Stages, Inc. 2017 combined assessed value of the vehicles actually registered to Life Stages Enrichment Services Inc. is \$11,900. The assessed value of vehicles registered to the for-profit Life Stages, Inc. is \$38,340. Assuming the personal property tax rate remains at \$2.30 per \$100 of assessed value, the FY 2018 personal property revenue impact will be \$273.95 for just the two vehicles that are actually registered to Life Stages Enrichment Services Inc. The organization did not provide an itemization of business equipment. It is assumed that the organization is using the business equipment reported by the for-profit entity Life Stages Inc. which is also operated from the 316 Brown St. location.8. The organization provides services that are currently provided by both non-exempt non-profit and for-profit entities.<p>Additional Review Criteria:</p><ol style="list-style-type: none">a. The non-profit organization was not established until March 22, 2016 and was not subject to taxation for the 2016 tax year.</p>	<ol style="list-style-type: none">b. The organization does not currently own real property. The property listed as the business address for the organization is zoned P-2. Current business activities provided at the 316 Brown Street location are compliant with the P-2 zoning.c. The personal property for which the exemption is sought potentially relate to the purposes for which the organization was created. Again, no real property is currently owned by the organization.d. The City does not provide payee services, but some transportation services are provided by the Senior Center. In addition, another non-exempt non-profit organization and other for-profit entities provide transportation services. The city has transferred its housing services to the City of Danville Housing Services.e. The services provided by the organization are currently being met by other non-exempt non-profit entities or by for-profit entities.f. Other criteria to consider: No other criteria was considered by the committee. <p>Fiscal Impact:</p> <p>Real Estate Tax Revenue Impact: \$0. The organization owns no real property. The property from which they operate their payee services is located at 316 Brown Street which was previously owned by the organization founder and president, Torey Morris. The property is now owned by A F Housing LLC and has the same mailing address as Life Stages Enrichment Service, Inc. and the for-profit Life Stages, Inc.</p> <p>Personal Property Revenue Impact: The personal property reported on the exemption application are a 2012 Ford Cutaway Van and a 2012 Ford E350 Van, however, the E350 is actually registered to the for-profit entity Life Stages, Inc. 2017 combined assessed value of the vehicles actually registered to Life Stages Enrichment Services Inc. is \$11,900. The assessed value of vehicles registered to the for-profit Life Stages, Inc. is \$38,340. Assuming the personal property tax rate remains at \$2.30 per \$100 of assessed value, the FY 2018 personal property revenue impact will be \$273.95 for just the two vehicles that are actually registered to Life Stages Enrichment Services Inc. The organization did not provide an itemization of business equipment. It is assumed that the organization is using the business equipment reported by the for-profit entity Life Stages Inc. which is also operated from the 316 Brown St. location.</p> <p>Review Committee Recommendation:</p> <p>Though the organization is considered a non-profit organization for federal income tax purposes, based on the information submitted with the exemption application it appears that the organization provides fee-based services that are similar to services provided by other for-profit entities and other non-profit entities that do not benefit from a local tax exemption. The organization also, does not own real property and has requested a real estate tax exemption in addition to the personal property tax exemption. Because of the close association of the for-profit Life Stages Inc. with the activities of the non-profit Life Stages Enrichment Services Inc. there is concern that if an exemption is granted for real and personal property all of the property currently titled to the for-profit entity will be transferred to the non-profit entity. Once a local tax exemption is granted to a non-profit entity the exemption is</p>
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<p>extended to all future property acquired by the entity, provided it is used for the exempt purposes for which the exemption was granted and the property does not become a source of substantial income. For these reasons the Review Committee does not recommend granting a tax exemption at this time.</p>	<p style="text-align: center;">ORDINANCE 2017-TE-1</p> <p>BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in regular session held on April 25, 2017 and pursuant to Section 58.1-3651 of the Code of Virginia, that Section 21-12 of the City Code be amended to add a subsection (e) as follows:</p> <p>e. Taxation exemption for Life Stages Enrichment Services, Inc.</p> <p>After convening a duly advertised public hearing and considering the factors set forth in Code of Virginia § 58.1-3651(B), the City Council of Martinsville Virginia hereby ordains the following:</p> <ol style="list-style-type: none">1. Life Stages Enrichment Services, Inc., a nonprofit organization, is hereby classified and designated as a charitable organization within the context of Section 6(a)(6) of Article X of the Constitution of Virginia.2. Personal property owned by Life Stages Enrichment Services, Inc. and used exclusively for charitable purposes on a nonprofit basis, as set forth in paragraph 1 of this subsection, is hereby determined to be exempt from local personal property taxation.3. Continuance of the exemption shall be contingent on the continued use of the property in accordance with the purpose for which the organization is classified or designated. <p>Attest:</p> <p>_____ Karen Roberts, Clerk of Council</p> <p>_____ Date Adopted</p> <p>_____ Date Effective</p>
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Consider approval of consent agenda – Council Member Lawson made a motion to approve the consent agenda as presented; Council Member Hodge seconded the motion with all Members voting in favor.

BUDGET ADDITIONS FOR 4/11/17				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
FY17				
General Fund:				
01102926	405555	Federal Categorical - Brownfields Grant - EPA		19,876
01812247	503136	Brownfields - Professional Services - Consultant	19,876	
		Project reimbursement		
01100909	490137	Recovered Costs - Public Safety		13,107
01331108	501200	Sheriff/Corrections - Overtime	11,216	
01331108	502100	Sheriff/Corrections - Social Security	695	
01331108	502110	Sheriff/Corrections - Medicare	163	
01311085	501200	Police Department - Overtime	960	
01311085	502100	Police Department - Social Security	59	
01311085	502110	Police Department - Medicare	14	
		Off Duty Security reimbursements		
01101917	442401	Categorical Other State - Confiscated Assets - Police		382
01311085	506078	Police Dept - Conf Assets State	382	
		State Asset Forfeiture Proceeds		
Total General Fund:			33,365	33,365
CDBG Fund:				
47100905	416208	Sale of Property		40,856
47832379	503123	NSP 3 - Rehab Construction	716	
47913297	509177	Refund - PY Revenue	40,140	
		Sale of 814 Hundley - NSP 3 Program		
Total CDBG Fund:			40,856	40,856

Hear a presentation of the proposed FY18 City budget – City Manager Towarnicki presented a Power Point detailing the FY2018 proposed budget including FY2017 highlights, objectives, budget challenges, revenue analysis, fund and reserve balances, expense analysis, and FY2018 proposed budget. Council Member Hodge asked if the requested budget increase for Social Services is required. Towarnicki said it is not a requirement; however, the department is losing employees and needs an extensive salary adjustment. Towarnicki detailed the next steps related to the budget approval and the work sessions scheduled over

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the next week. Towarnicki asked Council to set a public hearing for the April 25 meeting.

Council Member Hodge made a motion to approve the public hearing for April 25, 2017

Council meeting; Council Member Lawson seconded the motion. Hodge thanked Towarnicki in

addition to Linda Conover and Wayne Knox for their work on the budget proposal. She did

express that she had problems with the presented budget including the real estate tax

increase, the cuts in Police and Fire, and the decrease in school funding. She also does not

agree with the increase for Social Services. All Council voted in favor of the public hearing.


Mayor Teague also thanked those who contributed to the budget preparation and

recommendation and feels that budget decisions each year get a little more difficult.

City of Martinsville

FY2018 Proposed Budget

April 11, 2017



Introduction

The proposed FY18 budget is the culmination of a process that began during the summer of 2016, shortly after the start of FY17 fiscal year in July.

Projecting revenue and expenditures almost 18 months from the beginning of that process is challenging, and as we've seen in the development of prior budgets, many of the same issues occur over and over again:

- Expenses and requests exceeding revenue
- Uncertainty regarding State fiscal policies
- Use of fund and reserve balances
- How best to allocate limited resources to cover a wide array of needs
- Balancing adjustments to taxes, rates, and fees with needs and what citizens can afford

At the end of the day is all about:

- Our citizens
- Services the City provides
- Ability to spread resources fairly and adequately to do the most good
- Keeping the City fiscally strong

Despite these challenges, many positive developments continue to occur in the City of Martinsville, which are highlighted in this presentation.

Development of the FY18 budget once again occurred in a slightly different manner this year, although the end result – creation of a proposed FY18 budget – is ultimately the same.

This year the budget was developed with emphasis on the end in sight:

- How much revenue is available
- How can that revenue be allocated to cover as many needs as possible
- What are the priorities
- Considerations from Council's February 15th pre-budget work session

Funding isn't unlimited – the City has finite resources and there simply aren't enough funds available to give everyone everything they want, but there is adequate funding to cover most of what everyone needs.

Striking that balance year after year is what budgeting is all about.

As has been stated in prior budget messages, the budget is the City's annual financial plan and is the opportunity to blend Council's strategic planning with what the citizens of Martinsville want and expect, and ultimately with the allocation of resources to turn that plan into reality.

The budget process is a unique opportunity for Council, City staff, and citizens to review and shape the direction City government is headed.

With finite resources, the City's budget obviously cannot provide everything everyone wants; but year after year, most, if not all, needs are addressed.

As we move through the FY18 budget process, input is essential as efforts are made to create the best financial plan possible to continue moving the City of Martinsville forward into 2018 and beyond.

*Leon Towarnicki
City Manager
April 11, 2017*

FY2018 Proposed Budget

General Discussion

FY2017 Highlights

As discussion begins on the FY18 budget, here's some highlights of what has occurred and continues to occur in FY17

- Henry Hotel – opened summer of 2015 and the property continues to be marketed for residential and commercial purposes. Many residential units are now occupied and the first floor has a new commercial tenant.
- Telecom/MiNet continues to expand and add to the customer base. There is still a waiting list.
- Village of Martinsville – redevelopment of the former Liberty Fair Mall is complete with most of the retail spaces now filled.
- We continue to have success with a revised Nuisance Ordinance process – very few complaints.

FY 2017 Highlights

- WPBDC – Incubator management continues successfully under C-PEG; incubator remains at or close to capacity
- City's small business initiative & partnership with CPEG – award of DHCD Community Business Launch grant and new business have started Uptown. The second year of CBL is now underway with much more interest.
- City continues to support NCI and recent announcements indicate a path forward.
- Brownfields grant of \$400,000 – assessments of various sites are now underway.
- Northside CDBG Project nearing completion.
- Planned repaving of the entire Uptown area is planned for 2017, with new cross-walks and street markings.

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FY2017 Highlights

- Community policing remains popular among citizens
- Several major projects – the automated metering project is mostly complete, and the sewer interceptor project is underway.
- Renewal of National Club Baseball Association tournament contract at Hooker Field for 2017 and 18.
- Continued low unemployment
- Continued economic growth
- Recently completed a successful joint strategic planning process with City Council and Schools.
- Piedmont Arts Public Art Garden project underway
- Planning stages related to the Paradise Inn area on Fayette.
- Addition of a third bus to the local transit system.

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Objectives

Basic Year To Year Budget Objectives Remain Constant

- Maintain or improve core services
- Address capital needs
- Expand tax base (commercial, residential, industrial)
- Explore opportunities to consolidate, improve efficiency, generate new revenue
- Protect existing assets
- Consider education and outside agency funding

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Budget Challenges

- No to little revenue growth
- Increasing costs due to inflation, insurance, personnel issues, mandates, regulatory issues, costs of “doing business”
- Community expectations
- Capital needs continue to exceed available funding - some needs cannot be delayed
- School system request for additional funding

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Budget Challenges

- Aging infrastructure – long range capital needs
- Need to maintain adequate fund and asset balances to ensure reserve capacity to handle emergencies - recognizing that fund transfers are inevitable, ensure that adequate fund balances are preserved
- Adoption of utility cash reserve and fund balance policies establishes guidelines on ability to transfer funds, however those policies ensure the City remains fiscally sound.

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Budget Challenges - Capital

- Capital requests submitted by City departments for FY18 budget consideration totals **\$3,718,648** with \$2,386,500 requested for utilities and \$1,332,148 requested for general fund/capital reserve.

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Revenue Analysis

Beginning with the end in mind . . .

- What resources are available for the FY18 Budget?
- Traditional sources – taxes, fees, state funding?
- Cash reserve policies – required minimum?
- Fund Balance use – required minimum?
- FY18 projections, new sources of revenue?
- Utility budgets typically balance internally through ability to adjust rates; focus shifts to General Fund budget where shortfall occurs
- **What's the revenue projection for FY18?**

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Revenue Analysis

General Fund Revenue

- Total General Fund revenue is projected to be **\$27,745,846**, from taxes and fees, recovered costs, and slight increases in state funding. Very little change in local sources of revenue (general property taxes, other local taxes) although ambulance fees are projected to increase slightly.

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Revenue Analysis

Transfers and Balances - Utilities

- EOY16 – Utilities Funds Available = **\$899,224** (audited cash & cash equivalents of \$9,362,502 – FY16 cash reserve requirement of \$8,463,278)
- EOY FY17 Projected – Difference between projected expenses and revenue in water/sewer = +\$2,436,416. Water and sewer both meet cash reserve recommendations and revenue/expense ratio of 1.15/1 indicates \$1,630,911 can be transferred to FY18. Of this, \$700,638 is being recommended for transfer to capital (16 Fund) and balance of \$930,273 recommended for transfer to GF.
- Proposed FY18 – No budgeted transfer from Electric since fund currently does not meet the cash reserve policy. No budgeted transfer from Refuse due to impending project at landfill. No budgeted transfer from General Fund balance.

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Revenue Analysis

Projected FY18 GF Revenue Available

- Total available General Fund revenue estimated at \$27,753,809 (taxes, fees, state, etc.) + transfers of \$899,224 + \$930,273 + \$162,540 (from Telecom for school e-rate) for FY18 General Fund revenue of **\$29,745,846**, a reduction of \$496,291 from FY17 approved budget of \$30,242,137.

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Fund & Reserve Balances – Policy

EOY16/Projected FY17 – General Discussion

EOY 16, cash/cash equivalents combined for Electric, Water, Sewer, and Refuse were \$9,362,502 compared to a FY16 policy requirement of \$8,463,278. Collectively, EOY16 utility cash reserves exceeded policy recommendations. Water/Sewer cash reserves were \$3,592,632.

For **Water/Sewer**, FY17 reserve recommendation is \$2,776,881. With FY18 budgeted transfer of \$2,530,135 and projected return to reserves of \$2,436,416, water/sewer reserve amount is expected to slightly decrease to \$3,498,913 at EOY FY17, but still exceed cash reserve policy recommendations.

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Fund & Reserve Balances – Policy

EOY16/Beginning FY17 – General Discussion

In FY18, Refuse cash reserve is estimated to decrease slightly by \$102,951 as funding for a major site remediation project at the landfill is included in the budget. Refuse will still continue, however to substantially exceed the cash reserve policy recommendation of \$2,688,793. EOY16 cash reserves were shown to be \$5,328,983, much of which is related to long-term post-closure requirements.

EOY16 for Electric showed cash reserves of \$440,887, well below the current recommendation of \$3,444,027. A projected EOY17 return of \$1,550,403 is expected to rebound the cash reserve to \$1,991,290.

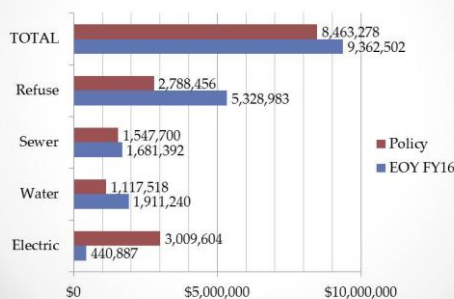
General Fund EOY16 unassigned balance was \$4,401,718. With an FY17 budgeted use of \$2,140,222, an additional appropriation to Schools of \$614,509, and a projected EOY17 return to fund balance of \$920,200, the GF balance at EOY17 is expected to be \$2,567,188, less than the 10% policy recommendation of \$2,974,584 (approx. 86%).

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Utilities – Cash Reserves

EOY FY16 vs Policy Recommendation

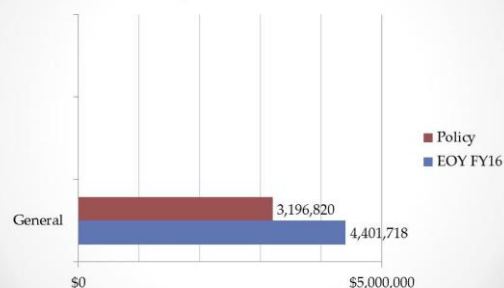


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General Fund - Unassigned

EOY FY16 vs Policy Recommendation

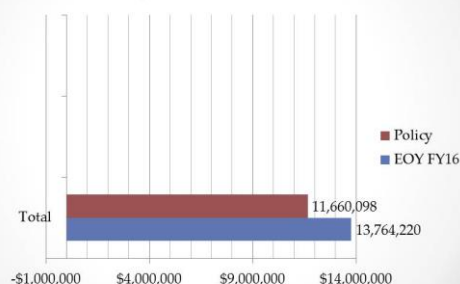


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Total All Funds

EOY FY16 vs Policy Recommendation



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Expense Analysis

Starting the Process

- What are the City's priorities?
- Realizing a reduction in available funds, how should funds be allocated for education, public safety, economic/business development, capital, etc.
- Changes in services or personnel?
- Major projects?
- Financing obligations?
- From February 15 pre-budget work session, Council requested two options (1) reductions applied across the board, and (2) level funding for schools and public safety, reductions applied elsewhere.
- How to allocate available resources efficiently, fairly, and adequately?

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FY2018 Proposed Budget

General Fund

FY18 Proposed General Fund Budget is \$29,745,846; \$496,291 less than the original approved FY17 General Fund budget of \$30,242,137, a 1.6% overall reduction but an approximate 4% reduction over the cost centers under City financial control.

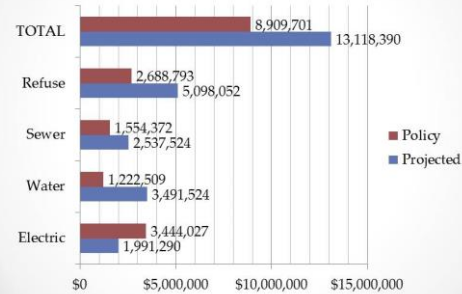
The General Fund budget balances with a projected use of Water/Sewer transfers of \$1,829,497 and \$162,540 from Telecom. No proposed transfer from Electric, Refuse, or General Fund balance.

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Utilities – Cash Reserves

Projected EOYFY17 vs Policy Recommendation

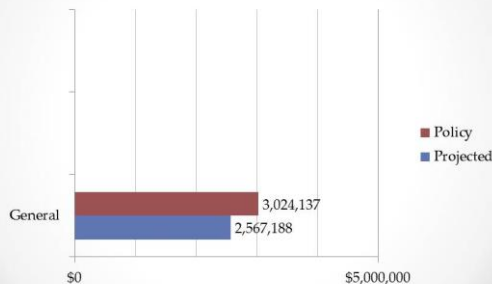


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General Fund - Unassigned

Projected EOYFY17 vs Policy Recommendation

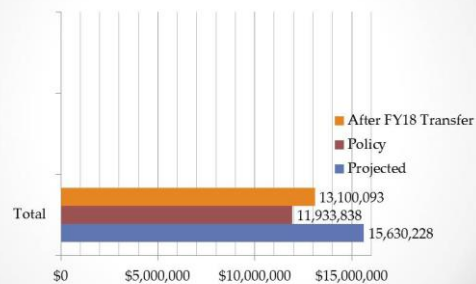


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Total All Funds

Projected EOYFY17 vs Policy Recommendation



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FY2018 Proposed Budget

February pre-budget work session . .

- At the February pre-budget work session, staff indicated an estimated FY18 budget reduction of \$983,843 over the approved FY17 budget.
- After discussion regarding possible reduction options, Council requested two budget plans – one with reductions allocated across the board, and one with level funding for schools and public safety. The recommended budget includes reductions applied across the board.
- For across the board reductions, a percent reduction was allocated to those General Fund cost centers under City's financial control.

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FY2018 Proposed Budget

Taxes, Rates, and Fees

- An increase in the real estate tax from \$1.0621/\$100 to \$1.0774/\$100 (1.44%) to levelize real estate tax revenue to FY17 levels is proposed.
- \$2.30/\$100 for personal property – no change
- \$1.85/\$100 for machinery & tools – no change
- No recommended utility rate changes
- An increase in meals tax from 6.5% to 7% is proposed
- Proposed increase in the cigarette tax from \$0.20/pack to \$0.30/pack

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FY2018 Proposed Budget

- The proposed FY18 budget includes revenue attributed to the three changes noted; (1) change/levelization of the real estate tax rate generates approximately \$90,000 (General Fund); (2) the cigarette tax increase generates approximately \$75,000 (General Fund); (3) the meals tax increase generates approximately \$100,000 (Capital Fund, assuming a Sept 1 implementation).
- Backing these out of the proposed FY Budget results in an additional reduction of \$165,000 from the General Fund, and \$100,000 from the Capital Fund.

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FY2018 Proposed Budget

Details

- Reduction of \$236,175 is allocated among General Fund cost centers including Public Safety, General Government, Seniors, Engineering, and Community Development. Eliminates 4 full time positions - one full time Senior position replaced with part-time; not funding the City Engineer position, eliminates part-time funding in Fire Department, and eliminates funding for 2 currently unfilled positions in Police.
- Recommended transfer to Schools of \$6,177,538 which is \$260,116 less than FY17 and includes a minor adjustment to cover a School-related E-Rate program cost increase.

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FY2018 Proposed Budget

- Continues the use of cost allocation analysis to recover expenses incurred by General Fund operations in support of the operation of City utilities (Electric, Water, Sewer, Refuse, Telecom). FY18 GF budget includes **\$596,008** in cost allocation revenue. This amount is included as part of utility operational costs and transfers to the General Fund to offset expenses.

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FY2018 Proposed Budget

Outside Agencies

- Recommended level funding for most outside agencies; 911 decreases 5.5% from \$460,383 to \$434,952; a 5.9% increase in Social Services funding from \$ 331,812 to \$351,850; level funding of the Library at \$292,197, Health Department at \$198,401, EDC at \$100,000, and continuation of the CPEG contract at \$60,000.
- No other new outside agencies are included. Also includes \$28,100 for the City's share of interest in FY18 for the shell building construction loan.

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FY2018 Proposed Budget

Personnel & Services

- No general pay increases for City personnel are proposed. Minor salary adjustments occur for some constitutionsals, with offsetting revenue.
- City health insurance costs will increase approximately 1.7% in FY18.
- One new position added in Telecom to address expanding customer service obligations as well as continued requests for service expansion.

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FY2018 Proposed Budget

Option - level funding for schools and public safety.

- To provide level funding for schools and public safety, additional revenue or reductions will be needed as follows:
- Schools – FY17 approved \$6,437,654

<u>FY18 proposed</u>	<u>\$6,177,538</u>
Difference	\$ 260,116
+ E-rate	\$ 17,540
Sub-Total	\$ 277,656
<u>Public Safety</u>	<u>\$ 117,824</u>
Total	\$ 395,480

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FY2018 Proposed Budget

Option for level funding schools and public safety

- Amount needed \$395,480
- Reductions

Senior Program	\$177,976
Parks & Rec	\$95,843
Personnel (3)	\$156,698
Revenue loss	(\$50,850)
<u>Other Internal</u>	<u>\$15,813</u>
Total	\$395,480

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FY2018 Proposed Budget

Capital (equipment, vehicles, projects, etc.)

- Funding of Capital Reserve (16 Fund) in the amount of \$1,100,638 is proposed; of this amount, \$354,439 is required for debt service and the balance of \$746,199 will be assigned to capital purchases on a prioritized basis by the capital review committee. This amount funds 56% of the capital (non-enterprise) fund requests of \$1,332,148. Additional revenue (approx. \$100,000) from the proposed Meals Tax increase goes toward capital. Capital is funded through Meals Tax Fund balance/reserve of \$400,000, and Water/Sewer transfer of \$700,638.

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Capital – Enterprise Funds

Capital (equipment, vehicles, projects, etc.)

- In the enterprise funds, \$2,386,500 is included in the respective fund budgets to address capital and equipment needs. Included in the enterprise funds are Refuse (09), Telecom* (11), Water (12), Sewer (13), and Electric (14).

*Through the City's annual audit process, Telecom is not identified as a separate enterprise fund although for internal City budgeting and tracking purposes it is considered and programmed as such.

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FY2018 Proposed Budget

Refuse

No significant changes in Refuse are projected for FY18 compared to FY17 with the exception of major funding to begin addressing remediation of the solvent disposal areas used at the landfill many years ago. Work is required by DEQ and project estimates are in the \$1M range. Monthly collection fees are currently sufficient to continue recovering costs for collection, disposal, capital, routine landfill maintenance, and overhead.

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FY2018 Proposed Budget

Telecommunications

The projected FY18 Telecom budget is \$1,772,761 and projections continue to show revenue exceeding expenses, even with the addition of one employee, transfer to General Fund of \$162,540 (for School E-rate costs), and \$34,525 under a cost allocation analysis. \$300,000 is included for a continuation of system upgrades and expansion to additional customers.

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FY2018 Proposed Budget

Water/Sewer

- Although separate funds, for purposes of this discussion water and sewer are being considered together due to the combined assets for the revenue bond related to the Virginia Resource Authority loan for the sewer interceptor project. The FY15 audit showed cash/cash equivalents for water and sewer of \$856,318 and with no transfers from water/sewer in FY16, the combined reserve grew to \$3,592,632, which now exceeds the reserve recommendation. Coupled with typical under-expenditures of budgeted amounts and conservative estimation of revenue, reserves are expected to grow. The increase has allowed start-up of an additional Water Resources construction crew that now handles significant maintenance and construction projects in-house, saving considerable costs over contracting. Additionally as reserves increase, the Water/Sewer funds are better positioned to handle future debt service obligations related to the sewer interceptor project.

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FY2018 Proposed Budget

Water/Sewer

- No rate increases are proposed for FY18
- The Water/Sewer budgets include capital funding to address a storage tank issue, replace a finished water pump, minor repairs to the reservoir dam and parking area, vehicle and equipment replacements, partial funding for sludge dewatering equipment, and continuation of work to reduce inflow/infiltration.

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Water/Sewer Projects

Year	Projects - Water	Contractor Price	Material Cost	Labor	
2017	Rosehaven 400 ft. 2"	\$25,000.00	\$4,000.00	\$10,000.00	Done (was 2019)
2017	Adale St 300 ft. 2"	\$25,000.00	\$4,500.00	\$10,000.00	Done
2017	Spruce St Ext 2,000 ft. 6 in.	\$300,000.00	\$45,000.00	\$40,000.00	Started
2017	Indian Trail 3,800 ft. 6 in. Spruce St. to Prospect	\$250,000.00	\$40,000.00	\$40,000.00	
2018	Corn Tassel Trail 36,000 ft	\$250,000.00	\$40,000.00	\$40,000.00	
2019	D to 2nd 400 ft. 2"	\$25,000.00	\$5,000.00	\$10,000.00	
2019	Lakeview Trail 1000' 6"	\$100,000.00	\$15,000.00	\$20,000.00	
2020	Dan Lee Terrace 400 ft. 4" Cherokee Ct 500 ft. 4"	\$30,000.00	\$10,000.00	\$20,000.00	
2020	Venus 1,000 ft. 2" Columbus 700 ft. 2"	\$170,000.00	\$60,000.00	\$20,000.00	
2021	Cherokee Mulberry to Root 3,000 ft. 6"	\$250,000.00	\$60,000.00	\$40,000.00	
2017	Highland St 1000 ft. 8"	\$120,000.00	\$30,000.00	\$20,000.00	Starting soon
2017	High, Dunlap and Spenser	\$140,000.00	\$30,000.00	\$20,000.00	
2018	Forest Street 6" Part1 1750 ft.	\$175,000.00	\$50,000.00	\$40,000.00	
2019	Forest Street 6" Part2 1750 ft.	\$175,000.00	\$50,000.00	\$40,000.00	
2020	Hairton and Bridge beside Lester Pines, Independence to Mulberry 2000 ft 8"	\$250,000.00	\$60,000.00	\$40,000.00	
2021	Barton 1000 ft. and Amy 680 ft. 6"	\$160,000.00	\$40,000.00	\$40,000.00	

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FY2018 Proposed Budget

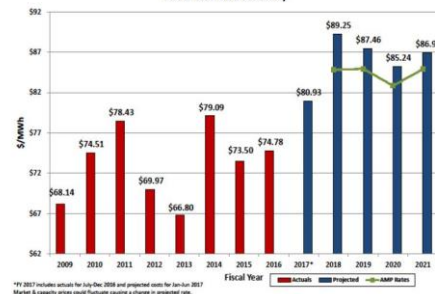
Electric

- No change in the City's electric rate is being recommended, however, the FY18 budget leaves very little margin for deviations as power costs are projected to increase. Costs are projected to begin a slight decrease in FY19.
- Electric budget includes funding for implementation of customer-service portal to enhance notifications, warnings, power outage information, access to account information, funding for hydro repairs/trash rake, 2nd year of SCADA system upgrades, trencher, and transformer/line upgrades. FY18 Electric budget is \$21,366,005, approximately \$1M more than the FY17 approved budget of \$20,374,740. Increase is attributed to the increase in the Purchased Power line from FY17 of \$15,950,000 to FY18 of \$17,008,625, the largest single line item expense in the City's budget.

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City of Martinsville Fiscal Year Rate Summary



GGG Associates, Inc.

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02/20/2017

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FY2018 Proposed Budget

Summary Statement of Budget Estimates 2017-2018

Fund	Approved FY2017	Revised FY2017	Proposed FY2018	Changes FY2017 to FY2018
General	30,242,137	32,045,365	29,745,846	(496,291)
Meals Tax	2,468,373	2,668,373	2,187,978	(280,395)
Capital Reserve	931,517	1,764,685	1,100,638	169,121
Refuse	2,430,000	2,527,500	2,572,958	142,958
Water	3,841,000	5,529,053	4,129,701	288,701
Sewer	4,480,512	7,731,262	5,450,167	969,655
Electric	20,374,740	24,669,124	21,366,005	991,265
Cafeteria*	1,517,543	1,517,543		(1,517,543)
School Operating*	22,960,270	23,852,102		(22,960,270)
Telecommunications	1,666,425	1,744,800	1,772,761	106,336
CDBG	17,080	743,810	12,830	(4,250)
Totals:	90,929,597	104,793,617		(22,590,713)

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Comments and Conclusion

The FY18 budget continues the practice of transfers to balance, although the proposed budget reduces the amounts while attempting to keep policy-directed minimum balances and reserves intact. Adjustments to future budgets will obviously continue to be necessary to match available revenue to budget requests.

It should be noted the budget as presented is "proposed" and over the coming weeks Council will have an opportunity to make changes as it deems appropriate. Throughout the process, staff will provide support and additional information as needed, and ultimately will take the budget adopted by Council and implement that plan to the best of its ability.

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Comments and Conclusion

As always, our department staff, constitutional offices, and schools put a great deal of effort into development of the FY18 budget and much credit and thanks goes to them for their continuing hard work. FY18 budget requests were generally found to be reasonable and needed, and Council will have an opportunity through the upcoming work sessions to hear more details.

As always a special thanks goes to Linda Conover and the Finance Department; Wayne Knox, Assistant City Manager; and our Human Resources office for their input throughout this process.

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Next Steps

- Review the budget details, request additional information, ask questions, and talk with citizens.
- Three work sessions have been scheduled – April 12 for public safety/City departments; April 13 for outside agencies, constitutions, and capital, and April 17 for schools and wrap-up/conclusion as may be needed.
- Consider setting a public hearing for Council's April 25, 2017 meeting and adoption of the budget on first reading, and second reading/final approval at the May 9 meeting.

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Business from the Floor – Ural Harris, 217 Stewart Street – he agrees with Council Member Hodge and has issues with the suggestion to increase real estate tax. He also expressed concern on the Electric Department proposal. Harris said he feels that the cigarette tax will also have a negative effect on purchases within the City.

Comments by Members of City Council – Council Member Hodge asks the residents to talk to Council Members about the budget. Council is weighing many options and choices and the Members need to make decisions that are in line with what the citizens want. Council Member Lawson agreed with Hodge and asked citizens to relay their feelings on the budget. Lawson reminded residents that April 29 is Hazardous Waste Day and is free of charge to all County and City residents. Lawson congratulated Kim Adkins who was appointed to the State Board of Education. She encouraged residents to go by the entrance to Roselawn Cemetery to view the field of flags; it is a beautiful scene to promote children's safety. Vice Mayor Martin shared details on the Anonymous People documentary to be presented at NCI. Mayor Teague spoke in honor of Worth Carter who passed away; Carter had a passion for education and Teague recognized his willingness to work with the City. Teague asked for prayers for the family of a local 2-year old child killed in an ATV accident. Teague also pleaded with the residents to share their opinions and suggestions on how to adjust the budget to work best for the community.

Comments by City Manager – City Manager Towarnicki encouraged Council to contact the City Manager's office with any events that need to be added to the Council calendar.

There being no further business, Council Member Hodge made a motion to adjourn the meeting; the motion was seconded by Vice Mayor Martin with all Council Members voting in favor. The meeting adjourned at 8:57pm.

Karen Roberts
Clerk of Council

Gene Teague
Mayor